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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

DUMPING DUTY ON U.S. APPLES SUSPENDED, AND REFERENCE PRICE SYSTEM IN PLACE

On December 29, 2004, the Secretariat of Economy (SE) published an announcement suspending the application of the 46.58-percent anti-dumping duty on U.S. Red and Golden Delicious apples from the Pacific Northwest and establishing a reference price system for apple exporters who are members of the Northwest Fruit Exporters (NFE) organization. All other exporters of U.S. Red and Golden Delicious apples are not part of the new reference price agreement and are still subject to the 46.58-percent anti-dumping duty. U.S. apples not of the Red and Golden Delicious varieties are not subject to any duty. For additional information see Report MX 5001. (Source: AAO/Mexico City)

SUGAR AGRO-INDUSTRY PREPARES TO FACE THE 2008 MARKET OPENING

With an estimated value of U.S. $2.3 million, the Mexican sugar agro-industry is preparing to strengthen its competitiveness in order to face the 2008 NAFTA market opening with the United States. According to the Ministry of Agriculture (SAGARPA), the good administration of the expropriated sugar mills has contributed to the financial viability of the sugar sector, good supplies, reliable payments to growers, a certainty of maintaining jobs, the re-organization of the market, and efficiency of the sugar mills. SAGARPA indicates that this situation would have not been possible without the expropriation of 27 mills. The sugar agro-industry contributes to 8.4 percent of Mexico's agricultural GDP and comprises approximately 30,000 mill workers and 160,000 sugar cane producers. (Source: EL Financiero, La Jornada, 01/13/05)

MEXICAN BEEF PRODUCERS LOOKING TO STOP CANADIAN BEEF IMPORTS

According to a local newspaper, the Mexican Association of Feedlots (AMEG) will meet with officials from SAGARPA to request, if necessary, a halt to Canadian beef imports, due to the finding of a third case of BSE. AMEG is requesting that the GOM avoid, at all costs, any exposure to the risk of BSE contamination to the national herd. AMEG is concerned that the trade with Canada is still a risk because it may affect Mexico's exports of beef to Japan since Mexico is the only NAFTA country currently exporting to the Asian country. (Source: Reforma, 01/13/05)

REYNOSA CLOSED AS BORDER CROSSING FOR U.S. APPLES AND SELECTED MEAT PRODUCTS

On December 28, 2004, the Secretariat of Treasury (SHCP) published in the *Diario Oficial* (Federal Register) the Sixth Resolution modifying the 2004 Foreign Trade General Rules, in which the closure of the Mexican border city of Reynosa and the opening of the Pacific port of Salina Cruz were established for the entry of apples, certain variety meats, and frozen chicken leg quarters. However, government authorities quickly conceded that the lifting of the apple anti-dumping duty had neutralized the argument for closing Reynosa, at least to apples, and promised to soon reinstate it as an apple border crossing.

HIGH SUGAR PRICES AFFECT INFLATION

The Secretary of Agriculture, Javier Usabiaga, recognized that high sugar prices in the country affect both the final consumer as well as inflation. Usabiaga indicated that the government would have to become more efficient in its sugar sector without modifying sugar producers income. According to Usabiaga, the decrease in consumer prices should be through increased productivity, such as better efficiencies through modernization of production processes that would result in lower production costs and would maintain or increase the income of sugar cane producers. (Source: Reforma 1/6/05)

CARLOS SLIM REQUESTS MORE FAIR TRADE AGREEMENTS

Carlos Slim, honorary life president of the Carson Group, said Mexico needs specialized trade negotiators located in its embassies and consulates in order for Mexico to be able to negotiate more fair free trade agreements. This statement was made during Slim's appearance at the Sixteenth Meeting of Mexico's Ambassadors and Consuls. He asked the group to take care of the domestic economy, because "if we leave it alone to see what happens, the whole world will export to us." He also criticized the enormous concentration of Mexico's trade with the United States, although in 2004 Mexico registered a trade surplus with the United States of approximately U.S. $ 52.0 billion. He further criticized Mexico's trade deficits with South America, Europe and Asia. (Source: El Universal; 01/05/2005)

AFTER SLOWDOWN, U.S.-MEXICO TRADE REGISTERS STRONG GROWTH

The Dallas Federal Reserve Bank announced that U.S.-Mexico trade was again growing significantly, after a sharp slowdown in the past three years. During 2004, U.S.-Mexico trade grew 13.5 percent. The Federal Reserve Bank stated that between 1993-2003, total U.S.-Mexico trade increased 189 percent from U.S. $ 81.4 billion to U.S.$ 235.5 billion. (Source: El Financiero & La Jornada; 01/05/2005)

RENEWED CONTROVERSY ON LABELING OF TRANSGENICS

According to a local Mexican newspaper, the controversy regarding the labeling of genetically modified organisms (GMOs) and foods derived from biotechnology, has resurfaced. The biotechnology industry considers that the reading of the Biosafety Bill approved in December 2004 by the Lower House regulates and imposes mandatory labeling for those GMOs and biotechnology-derived products that are in fact GMOs or products, such as popcorn, which are, in and of themselves, essentially GMOs. But some legislators think differently. Victor Suarez, a PRD legislator, interprets the labeling provision as being all products for "direct human consumption" containing GMOs must be labeled. According to this definition, products like cookies, genetically modified fresh tomatoes, corn bread, pastries, high fructose corn syrup, corn or soybean oil for domestic consumption, and soybean sauces would have to be labeled. However, Jose Luis Soillero, Technical Director of

AgroBio, stated that his organization's interpretation of the labeling provision of the Biosafety law is that biotechnology-derived foods are exempt from labeling. This bill must still be ratified by the Senate. (Source: El Financiero; 01/05/2005) *(Note: this seems to be a misreporting of the labeling provision as passed by the Mexican Lower House on December 14, 2004. While the final text of the biosafety bill has not yet been published, private and government sources report that the labeling provision is worded in such a way as to state that mandatory labeling is required if there is no substantial equivalence between the transgenic and conventional varieties).*

MEXICO IN HOME STRETCH FOR FULL LIBERALIZATION OF AGRICULTURAL TRADE

According to a local newspaper, as of this year, tariffs on U.S. imports of sugar, dry beans, corn and milk powder will be reduced 35 percent and will enter the final stretch of a process of NAFTA tariff elimination that ends in 2008. The article states that domestic producers and the Government of Mexico (GOM) are not yet sufficiently prepared for full liberalization. According to the NAFTA, these products have the maximum 15-year phase-in period, which is considered sufficient time for Mexican producers to make the transition. During this decade, these commodities have only become competitive in the sense of better producer organization, the establishment of productive chains, agriculture-by-contract, and reference prices, and government support, and crop conversion. This is not enough, since there are only two crop cycles remaining before the full opening of agricultural trade for these products and strong deficiencies still remain such as: the lack of commercialization programs for dry beans, greater support for milk powder and yellow corn, and financing for these products. (Source: Reforma, 01/03/05)

MEXICO'S AGRICULTURAL GDP GROWS

According to the National Agricultural Council (CNA), Mexico's agricultural gross domestic product (GDP) has grown approximately 3 percent in the last two years, due to expectations of good rainfall and higher yields. This trend is forecast to continue in 2005, due to water reservoir levels rising to 80 percent of capacity. Water reservoirs are used for crop irrigation. CNA pointed out this is quite a good level, especially when compared to the 30-percent capacity of water reservoirs in the last few years. There is, however, a concern among the agricultural producers that 2005 international prices for major crops will be depressed and that the Mexican Ministry of Agriculture (SAGARPA) will have to spend more budgetary resources supporting crop commercialization and producer income. (Source: El Financiero; 01/03/2005)

MEXICAN GOVERNMENT CUTS IMPORT TARIFFS

The Secretary of Economy, Fernando Canales Clarion, defended the GOM's import tariff reduction program that will go into effect in 2005. He even promised that this measure would benefit consumers to the tune of U.S. $500 million annually, due to reduced industry production costs. Canales clarified that these savings would impact Mexican families to the extent that there is a more competitive domestic market. To this end, he said, the federal Competition Law will be changed soon. Canales and the Undersecretary of Industry and Trade, Rocio Ruiz, explained that this measure was agreed upon with the private sector and will encompass a tariff reduction in approximately 9,000 products. Approximately 770 agri-industrial import tariffs will be reduced from 19.4 percent to an average to 14.9, but only for those countries which do not already have a free trade agreement with Mexico. (Source: El Financiero; 12/22/04)

NEW SUGAR TARIFF RATE QUOTA

Sugar and cement, two sensitive products in Mexico, are among those 9,000 products scheduled for tariff reduction. According to Rocio Ruiz, the Undersecretary of Trade and Industry of the Economy Secretariat (SE), a new sugar tariff rate quota for 2005 is likely to be implemented. She explained that SE reduced the import tariff of standard sugar from U.S. $390.00 per ton to U.S. $360.00 in 2004 and for 2005 SE would reduce this sugar import tariff to U.S. $339.00 per ton. Ruiz also stated that she wanted to keep the price of standard sugar below U.S $600 per ton and a reduction in the tariff was necessary considering foreign sugar prices of between U.S. $230 and U.S.$260 per ton. According to Ruiz, competition with foreign sugar will keep domestic sugar prices stable, rather than increasing and putting upward pressure on imports. The TRQ volume will also be revised. In the case of the cement, the import duty will drop from 13 to 10 percent. (Source: El Financiero; 12/22/04)

SAGARPA FORECASTS INCREASE IN FRUIT AND VEGETABLE EXPORTS

The Mexican Ministry of Agriculture (SAGARPA) forecasts its fruit and vegetable exports to increase 20 percent in 2005, due to the implementation, in April 2005, of the U.S.-Japan free trade agreement and new sanitary protocols with China. According to Gerardo Lopez-Noriega, SAGARPA's Director of Foreign Trade, this forecasted increase will put the value of fruit and vegetable exports above that of remittances of Mexicans living in the United States. (Source: Reforma; 12/22/04)

MCDONALD'S TO OPEN 24 NEW OUTLETS IN MEXICO IN 2005

Upon the opening of McDonald's 300th restaurant in Mexico, the president of that chain in Mexico and Central America announced that McDonald's would open an additional 24 stores in Mexico in 2005. This is the same number of chains that were opened in 2004. The cost for a McDonald's franchise in Mexico is about USD $500,000. There are 32 franchises throughout the country. In Mexico City there are 87 McDonald's restaurants. *(El Financiero*, 12/15/04)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4135	Weekly Highlights & Hot Bites, Issue #43	12/9/04
MX4136	Citrus Annual	12/14/04
MX4137	Tomatoes Annual	12/15/04
MX4138	NAFTA Panel on Compensatory Duties	12/16/04
MX4139	Mexico Announces Quota for U.S. Chicken Leg Quarters for 2005	12/29/04
MX4140	2005-2007 NAFTA TRQs For the Import of U.S. Dry Beans	12/29/04
MX5001	Mexico Suspends Anti-Dumping Duty and Establishes Reference Price System for U.S. Red and Golden Delicious Apples from the Pacific Northwest	1/10/05
MX5002	Reynosa Closed as Border Crossing for U.S. Apples and Selected Meat Products	1/13/05

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